

Message Text

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21 11

ACTION ARA-20

INFO OCT-01 ISO-00 DEAE-00 CIAE-00 INR-10 IO-15 JUSE-00

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SCI-06 OMB-01 SS-15 AID-20 HEW-08 AGR-20 L-03 H-03

DRC-01 SSO-00 /161 W

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 5895

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY MONTEVIDEO

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E.O. 11652: N/A

TAGS: CI, PINT, SNAR

SUBJECT: NARCOTICS CONTROL: CHARGES OF ALLENDE GOVT INVOLVEMENT
IN COCAINE TRADE

1. BEGIN SUMMARY. THE NEW MILITARY CHIEF OF INVESTIGATIONS AND A HIGH NATIONAL POLICE (CARABINERO) OFFICER HAVE BEEN QUOTED IN THE SANTIAGO PRESS TO THE EFFECT THAT OFFICIALS AND PARTY LEADERS OF THE DEPOSED ALLENDE GOVERNMENT FACILITATED THE ILLEGAL TRADE IN COCAINE IN EXCHANGE FOR FUNDS TO BUY ARMS FOR THE EXTREME LEFT TERRORIST GROUPS IN CHILE (MOVEMENT OF THE REVOLUTIONARY LEFT--MIR) AND SIMILAR GROUPS IN ARGENTINA, URUGUAY AND VENEZUELA.
END SUMMARY.

2. GENERAL (ARMY) ERNESTO BAEZA, THE NEW DIRECTOR OF INVESTIGATIONS, THE PLAIN-CLOTHES CHILEAN POLICE WAS REPORTED IN THE PRESS SEPT 27 TO HAVE STATED THAT THE POLITICAL PARTIES WHICH MADE UP THE POPULAR UNITY (UP) GOVT FINANCED PART OF THEIR SECRET ARMS PURCHASES WITH FUNDS FROM THE ILLEGAL COCAINE TRADE. OFFICIALS OF THE UP GOVT "FACILITATED" THE TRADE WHILE
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THEIR PARTIES RECEIVED PAYMENT FROM THE DRUG TRAFFICKERS. THE

GENERAL NOTED ALSO THE DEALINGS OF THE MIR AND ARGENTINE EXTREMIST GROUPS IN BLACK MARKET MONEY EXCHANGES, INVOLVING A COMPLICATED SCHEME TO TAKE CHILEAN ESCUDOS TO ARGENTINA WHERE THEY WERE EXCHANGED FOR POUNDS STERLING, WHICH WERE THEN ALLEGEDLY TAKEN TO THE US AND EXCHANGED FOR DOLLARS. THESE DOLLARS WERE THEN BROUGHT BACK TO CHILE AND "REINVESTED" IN THE BLACK MARKET.

3. SOME FURTHER DETAIL CONCERNING THE DRUG OPERATION WAS GIVEN BY CARABINERO GENERAL JULIO DE LA FUENTE, SECURITY CHIEF FOR THE NATIONAL

POLICE, AND CARABINERO MAJOR LUIS FONTAINE MANRIQUEZ WHO IS INVESTIGATING THE CHARGES, IN AN ARTICLE IN THE SEPT 27 EL MERCURIO. GENERAL DE LA FUENTE NOTED THAT A SPECIAL DEPARTMENT OF NARCOTICS EXPERTS TRAINED BY THE US "BUREAU OF NARCOTICS" IS LOOKING INTO THE LINKS BETWEEN DRUG TRAFFICKERS ("MAFIA") AND THE CHILEAN EXTREMIST LEFT. MAJOR FONTAINE REVIEWED THE HISTORY OF THIS INVESTIGATION, WHICH HE SAID BEGAN WHEN A SHIPMENT OF 100 KILOS OF COCAINE WAS DISCOVERED IN MAIMI ABOARD AN AIRCRAFT OF THE CHILEAN COMPANY TAS. THE PILOT OF THIS PLANE, OSCAR SQUELLA, WAS A WELL-KNOWN ALLENDE SUPPORTER. INFORMATION AVAILABLE TO THE EMBASSY INDICATES THAT SQUELLA COULD BE DESCRIBED AS "ALLENDE'S PRIVATE PILOT." IN THE LAST MONTHS OF THE FREI GOVT (I.E. 1969) ACCORDING TO THE ARTICLE, "MAFIA-MIR" LINKS WERE FOUND BY INVESTIGATORS IN VALPARAISO AND CONCEPCION. BUT WITH THE ADVENT OF THE ALLENDE REGIME, THE THEN DIRECTOR OF INVESTIGATIONS EDUARDO "COCO" PAREDES FIRED THE INVESTIGATOR IN CHARGE, SUBPREFECT RAFAEL ALARCON PINOCHET, AND INVESTIGATIONS WAS FORCED TO DROP THE MATTER.

4. DESPITE THIS, ACCORDING TO MAJOR FONTAINE, THE CARABINERO DRUG UNIT CONTINUED ITS EFFORTS WITH THE CLOSE COLLABORATION OF THE U. S. "BUREAU OF NARCOTICS" (ACTUALLY THE DRUG ENFORCEMENT AGENCY, DEA) WHICH PROVIDED MOBILE LABORATORIES AND OTHER HELP. THESE JOINT EFFORTS ALLEGEDLY REVEALED THE FINANCING BY THE DRUG TRADE OF THE TERRORIST OPERATIONS OF THE CHILEAN EXTREMISTS AND "ARMED GROUPS" IN ARGENTINA, URUGUAY AND VENEZUELA.

5. COMMENT. THESE HIGHLY CHARGED POLITICAL "REVELATIONS" MAY NOT BE HELPFUL TO DEA EFFORTS IN THE HEMISPHERE OVER THE LONG RUN.

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